Reporting July Sales on the Third Quarter Sales and Use Tax Return

Sales & Use tax notice

Effective on July 15, 2002, Tennessee law increased the state sales and use tax rate from 6% to 7%. ***Sales and leases of tangible personal property and sales of taxable services made from July 1, 2002, through July 14, 2002, remained and will be reported under the previous 6% state sales tax rate.***

Taxpayers must use the revised state and local sales and use tax return for filing tax returns for the period July 1, 2002, through September 30, 2002. ***In order to accurately report sales made under the 6% rate during the July 1–14, 2002 sales period, taxpayers should follow the following procedures:***

(1) All sales made during the period of July 1-14, 2002, should be included with *food sales* made after July 14, 2002, in the gross sales total in Line 1 of the return, and will be included in the total in Line 5.

(2) All sales made during the period of July 1–14, 2002, will then be listed in Line A, Schedule A, on the reverse side of the return, along with any 6% sales made after July 14, 2002. This will remove these sales from the 7% sales tax base.

(3) The total from Line A, Schedule A will then be multiplied by 6%; that result will be entered in Line 9, "State Food Tax," on the front side of the return. This will calculate the 6% state sales tax rate on sales made during the July 1-14, 2002, sales period.

(4) Finally, the total from Line A, Schedule A, will be included in the total figure on Line 2, Schedule B so that the local option tax can be computed on this amount. This will compute the local option tax due on sales during the July 1–14, 2002, sales period.

This applies only to reporting sales and use tax collections for the period of July 1 – 15, 2002. All other collections on sales or use of non-food items will be reported at the 7% rate on sales and leases of tangible personal property and sales of taxable services.

Have questions or comments? Please let us know. Contact us.

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